

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0286-01
Bill No.: SB 3
Subject: Education, Elementary and Secondary; Education, Higher; Elementary and Secondary Education Department; Higher Education Department
Type: Original
Date: January 11, 2013

Bill Summary: This proposal creates the Early High School Graduation Scholarship Program for public high school students who graduate from high school early.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(More than \$318,518)	(More than \$143,866)	(More than \$144,312)
Total Estimated Net Effect on General Revenue Fund	(More than \$318,518)	(More than \$143,866)	(More than \$144,312)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Early High School Graduation Scholarship Program Fund I*	\$0	\$0	\$0
Early High School Graduation Scholarship Program Fund II*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

***Offsetting Transfers In and Distributions are expected to be more than \$100,000 annually**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education (DHE)** assume that the Department of Elementary and Secondary Education will estimate the actual program costs. The DHE does not have information on the number of high school students who do, or are likely to, graduate early and thus generate costs to the state in this program. However, it is assumed that for each eligible student there will be a cost to the state equal to the per Weighted Average Daily Attendance (WADA) state funding for each eligible student.

The DHE assumes that it would have to reprogram the software it uses (FAMOUS), to administer financial aid programs to include this new program. The cost of reprogramming FAMOUS is estimated to be approximately \$175,000 and is a one-time expense. DHE assumes that funds for this reprogramming would be appropriated to DHE rather than to Office of Administration - Information Technology Service Division.

DHE also assumes that they would need to hire one new staff person (Program Specialist) to perform the additional duties required for this program, and that the starting salary would be at the low end of the UPC range.

Finally, DHE assumes that it would require approximately \$5,000 per year to provide information about this new program to potentially eligible students. This money would be spent on the redesign of and additional printing costs for existing print publications disseminated at college fairs and other events at which DHE already provides information about financial aid, as well as other forms of outreach in which the DHE is already involved.

ASSUMPTION (continued)

Oversight assumes travel and other forms for outreach are already being done by DHE and the only additional promotional costs would be to prepare a publication to be posted on the internet which should be a one time cost.

§173.1300 - 173.1306

Officials from the **Department of Elementary and Secondary Education (DESE)** assume there will be an undetermined cost to the state. Because of a lack of data there is no way to accurately estimate the increased cost. Basing cost projections on the current number of students graduating early would not yield reliable numbers because the scholarship incentive would likely significantly increase early graduation numbers.

§173.1309

Officials from the **Department of Elementary and Secondary Education (DESE)** assume DESE is required to confirm with the high school from which the eligible student graduated that he or she has completed all of the eligibility requirements of the program. DESE must also confirm that student has enrolled in, and is attending, a public or private institution of higher education or participating in a dual enrollment program, as applicable. DESE will require 1.0 FTE administrative assistant to carry out these duties.

Local school districts will likely incur costs to inform students and parents about the early high school graduation scholarship in accordance with the requirements of the proposal and to confirm that students have completed all of the eligibility requirements of the program. DESE defers to local school districts regarding the significance of those administrative costs. In addition, it is unknown to what extent the program grants may offset administrative costs.

Oversight assumes DESE would not require a full-time person to perform the verifications required by this proposal. If the DESE duties outlined in this proposal required additional personal services, DESE may request additional funding through the appropriations process.

Oversight assumes the proposal states that the Department of Higher Education shall implement and administer the program.

Officials from **Linn State Technical College** and **Missouri Southern State University** state the impact to their respective institutions is unknown.

ASSUMPTION (continued)

Officials from the **Metropolitan Community College - Kansas City** assume the program outlined in this proposal would have a positive, but unknown, fiscal impact on their college.

Officials from the **Mexico School District** assume this proposal could have the effect of reducing Average Daily Attendance, reducing state formula money to Missouri school districts. Fiscal impact cannot be determined at this time. Since this would be a new program, there is no way to calculate how many students would be interested in early graduation.

Oversight assumes the formula funding would not change, but that distribution among schools could be affected.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Office of State Treasurer, Joint Committee on Administrative Rules, University of Missouri System, Northwest Missouri State University, Missouri State University, University of Central Missouri**, and the **Special School District of St Louis County** each assume the proposal would not fiscally impact their respective agencies and institutions.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Cost</u> - Department of Elementary and Secondary Education (DESE) - Scholarship and grant funding for Fund I and Fund II	(Expected to Exceed <u>\$100,000</u>)	(Expected to Exceed <u>\$100,000</u>)	- Expected to Exceed <u>\$100,000</u>)
<u>Cost</u> - Department of Higher Education (DHE) - Program Costs			
Personal Services (1 FTE)	(\$23,830)	(\$28,882)	(\$29,171)
Fringe Benefits	(\$12,093)	(\$14,656)	(\$14,803)
Equipment and Expense	(\$2,595)	(\$328)	(\$338)
IT and Web Development Expense	<u>(\$180,000)</u>	<u>\$0</u>	<u>\$0</u>
	<u>(\$218,518)</u>	<u>(\$43,866)</u>	<u>(\$44,312)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	(More than <u>\$318,518</u>)	(More than <u>\$143,866</u>)	(More than <u>\$144,312</u>)
Estimated Net Effect on FTE for General Revenue	1 FTE	1 FTE	1 FTE
EARLY HIGH SCHOOL GRADUATION SCHOLARSHIP PROGRAM FUND I			
<u>Transfer In</u> - DESE - Scholarship and grant funding	More than <u>\$100,000</u>	More than <u>\$100,000</u>	More than <u>\$100,000</u>
<u>Distributions</u> - Students and School Districts - Scholarships and grants	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON EARLY HIGH SCHOOL GRADUATION SCHOLARSHIP FUND I	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
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**EARLY HIGH SCHOOL
 GRADUATION SCHOLARSHIP
 PROGRAM FUND II**

<u>Transfer In</u> - DESE - Scholarship and grant funding	More than <u>\$100,000</u>	More than <u>\$100,000</u>	More than <u>\$100,000</u>
<u>Distributions</u> - Students and School Districts - Scholarships and Grants	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)

**ESTIMATED NET EFFECT ON
 EARLY HIGH SCHOOL
 GRADUATION SCHOLARSHIP
 FUND II**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
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LOCAL POLITICAL SUBDIVISIONS

<u>Income</u> - Schools - Grant Distributions	Could exceed <u>\$100,000</u>	Could exceed <u>\$100,000</u>	Could exceed <u>\$100,000</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Could exceed <u>\$100,000</u>	Could exceed <u>\$100,000</u>	Could exceed <u>\$100,000</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act creates the "Early High School Graduation Scholarship Program," to be implemented and administered by the Department of Higher Education (DHE). The program will provide two different types of scholarships to students who graduate early from public high schools in Missouri.

DESCRIPTION (continued)

§173.1303

A student who graduates from high school in no more than thirty-six months and meets certain other requirements will be offered a scholarship, in an amount as described in the act.

For each eligible student, an amount equal to ninety percent of the school district's state aid payments pursuant to the provisions of Sections 163.031, 163.043, and 163.044, RSMo, for the year immediately preceding the eligible student's receipt of the high school diploma, divided by the district's weighted average daily attendance for the year immediately preceding the student's receipt of the high school diploma shall be placed in the funds established in Section 173.1303.5, RSMo.

When a scholarship recipient enrolls in a public or private institution of higher education, the institution must apply to the charges for tuition, mandatory fees, or both, the lesser of the amount of the scholarship or the actual tuition, mandatory fees, or both.

The student's school district will be offered a grant in an amount equal to ten percent of the district's state aid payments, divided by the district's weighted average daily attendance for the year immediately preceding the student's graduation.

§173.1306

A student who graduates from high school in no more than forty-one months will be offered a scholarship in the same amount as described previously.

When a scholarship recipient enrolls in a public or private institution of higher education, the institution must apply to the charges for tuition, mandatory fees, or both, the lesser of the amount of the scholarship or the actual tuition, mandatory fees, or both.

The student's school district will be offered a grant in an amount equal to ten percent of the district's state aid payments, divided by the district's weighted average daily attendance for the year immediately preceding the student's graduation.

§173.1303.5 and §173.1306.5

This act creates two separate funds in the State Treasury. DESE must place an amount equal to the total of the scholarship and grant amounts in one of the funds, depending on how early a student graduates from high school. DHE will use these funds to distribute the scholarships and

FISCAL DESCRIPTION (continued)

grants. After distributing the grant moneys, DHE will determine the scholarship amount for each student by dividing the remaining moneys in the fund by the number of eligible students.

§173.1309.5

By January 31, 2014, DHE, in cooperation with DESE, must prepare a publication about the program and post it on its website.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Higher Education
Office of Secretary of State
 Administrative Rules Division
Office of State Treasurer
School Districts
 Special School District of St Louis County
 Mexico School District
Colleges and Universities
 University of Missouri System
 Missouri State University
 Northwest Missouri State University
 Missouri Southern State University
 Linn State Technical College
 Metropolitan Community College - Kansas City
 University of Central Missouri



Ross Strope
Acting Director

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